Allianz Insurance plc

Solvency and Financial Condition Report 2016

Allianz

Contents

Summary

This is the solvency and financial condition report ("SFCR") for Allianz Insurance plc ("Allianz", "The company"). Publication of an SFCR is a mandatory requirement of the Solvency II Directive[1] for all insurance companies domiciled in the EU. Solvency II, which entered into force on 1 January 2016, is a comprehensive updating of the way in which insurance companies in the EU are supervised by their local regulators.

The main Solvency II Directive is supplemented by further texts[2] which set out in detail the required contents and structure[3] of the report. This introduction is intended to fulfil the requirement[4] that the SFCR should contain a clear and concise summary, which highlights material changes over the year.

Allianz Insurance plc is the main insurance operating entity of the Allianz group in the UK. It is the largest company of the Allianz Holdings plc group, accounting for over 95% of that group's income, and is managed together with the other companies in the group. Further information about Allianz's operations in the UK can be found on the Allianz UK website[5]. That website also contains the 2016 Allianz Holdings plc Report and Accounts, which includes a strategic view of the business and also some technical information required for this SFCR.

Globally, Allianz SE is a financial services provider with 86 million clients in more than 70 countries. It had revenue in 2016 of €122bn and made an operating profit of €10.8bn. At the same time as this SFCR for Allianz Insurance plc is published, Allianz SE will be publishing its own SFCR for the whole Allianz group. More information about the Allianz group and its operations around the world can be found on the Allianz group website. [6]

Section A looks at the business and performance of Allianz Insurance plc during 2016. It starts with a section describing the legal structure of Allianz Insurance plc and its place in the Allianz group before covering the two main sources of Allianz's profit – its underwriting of insurance and its investment of the assets it holds in order to pay future claims.

This section highlights three major changes which have impacted Allianz's business. First, the company has reorganised, closing some books of business. Second, it has increased the size of a whole-account quota share reinsurance. This is a risk-sharing tool which passes some of the UK risk to a different Allianz group company and makes Allianz Insurance plc's balance sheet more stable.

Third, like all UK insurance companies, it has been affected by the UK government's decision to change the way in which personal injury claims are settled.

Section B looks at the System of Governance. This is the set of rules and processes by which the company is managed. This section describes the ways in which Allianz Insurance plc ensures that its business runs prudently and within the Solvency II regulations.

The company is run by the Board of Directors, who rely on other managers to operate the company on their behalf. The actions of those other managers take place within the confines of the System of Governance.

The section confirms that all the required components of the System of Governance are in place. These are:

- Assessment and remuneration policies, to ensure that managers have the skills and capability required to run the company and that they are paid appropriately;
- Independent safeguarding functions, whose responsibility is to ensure that the managers of the company understand and manage risks appropriately;
- Processes which ensure that the internal model, used to assess capital requirements, is assessed independently and reviewed by the Board;
- A process, the Own Risk and Solvency Assessment, by which all risks facing the company are assessed, managed and reported to the Board.

Finally the section reviews how Allianz Insurance plc relies on other companies to undertake certain activities on its behalf. Although some activities are outsourced – section B.7 outlines the most material of these – Allianz itself is responsible for the delivery of those activities.

Section C reviews the risks which Allianz Insurance plc faces. Each kind of risk is covered in turn. The risks themselves and the methods for understanding, managing and mitigating those risks are described, and any major concentration of a risk type is identified.

This section confirms that each risk type to which Allianz is exposed is appropriately understood, managed and mitigated.

Section D reviews the balance sheet of Allianz Insurance plc. The balance sheet is the main mechanism by which the solvency of the company – the amount of funds it has available to protect it and its policyholders against a shock – is assessed. This section describes the methods used to value the items on that balance sheet.

A key section is section D.2 on Technical Provisions. "Technical Provisions" are the funds the company has put aside specifically to pay future claims, and so they represent the most important part of the balance sheet.

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[1] Directive 2009/138/EC, as amended by Directive 2014/51/EU, articles 51 – 56.
[2] Commission delegated regulation (EU) 2015/35, articles 290 303, Implementing Regulation (EU) 2015/2452
[3] See in particular Annex XX, Commission delegated regulation (EU) 2015/35
[4] Article 292, Commission delegated regulation (EU) 2015/35
[5] https://www.allianz.co.uk/about-allianz-insurance.html
[6] www.allianz.com

Summary

They are also the most uncertain to predict in terms of sufficiency, as it is difficult to assess the funds required accurately.

Section E confirms that Allianz Insurance plc is able to withstand unexpected shocks according to the standards required by the Solvency II regulations. "Own Funds" refers to the funds available within the company for the purpose of absorbing shocks, and section E.1 describes how those funds are managed. It also confirms that the Own Funds are of appropriate quality and will be available if required.

The amount of Own Funds required by Solvency II is defined by the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The MCR is the level of Own Funds below which the company may no longer legally continue to trade, while the SCR is the minimum level treated as acceptable in normal circumstances by the Solvency II regime.

Allianz has received approval to use an Internal Model to calculate its SCR, rather than falling back on the default Standard Formula, so this document includes in section E.4 a description of how that Internal Model differs from the Standard Formula.

Finally, the SFCR contains a Statement of Directors' responsibilities and an audit opinion in respect of those parts of the SFCR which have to be audited.

A. Business and Performance

This section is unaudited.

A.1 Business

Allianz Insurance plc ("Allianz", "the company") is a public limited company incorporated in the UK under company no 84638.

It is supervised by the Prudential Regulation Authority (PRA), Bank of England, 20 Moorgate, London EC2R 6DA, in respect of financial and prudential matters, and by the Financial Conduct Authority (FCA), 25 The North Colonnade, London E14 5HS, in respect of conduct matters.

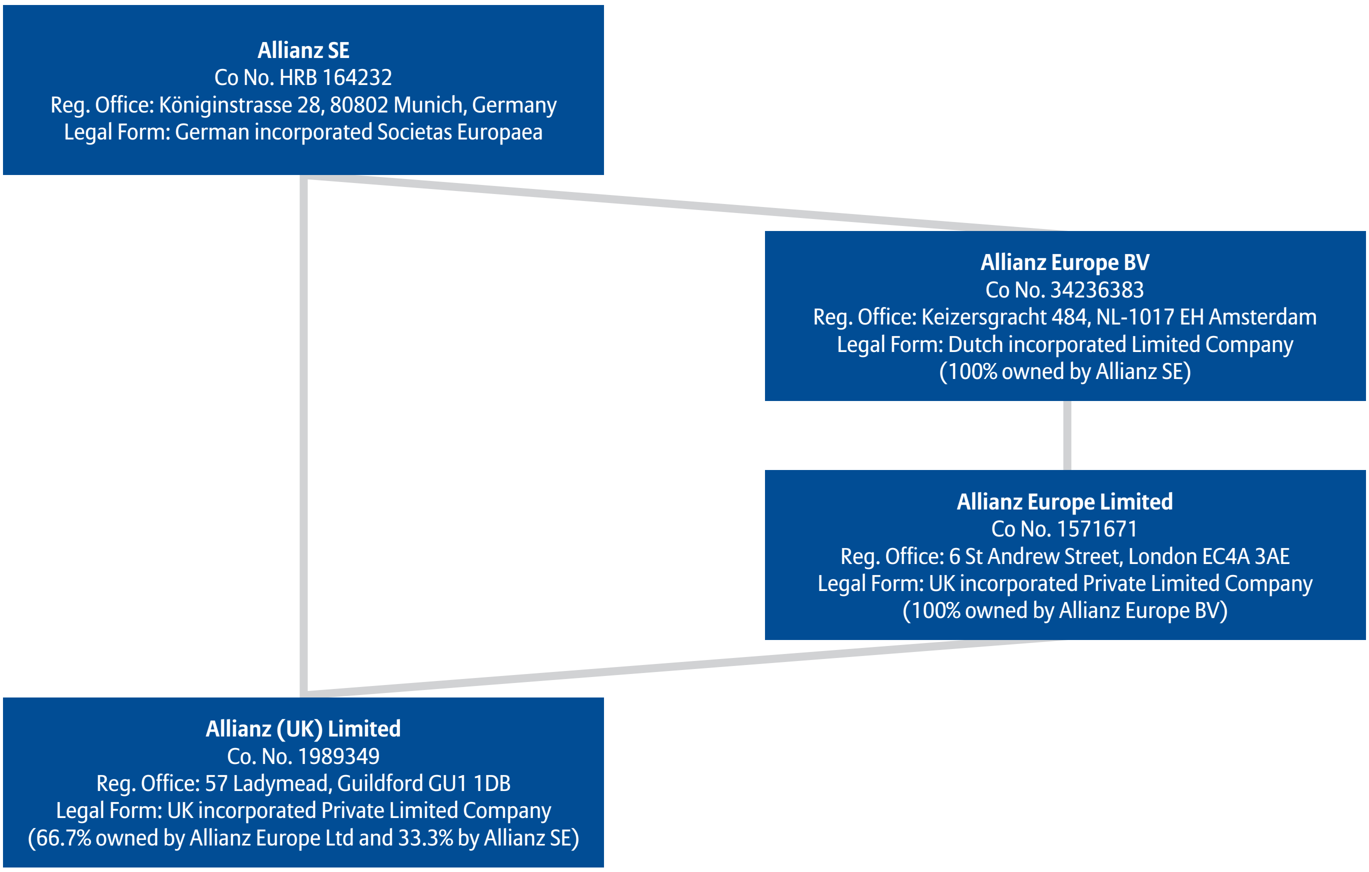
Allianz Insurance plc is a wholly owned subsidiary of Allianz SE, of Königinstraße 28, 80802 München, Germany.

The German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin), Dreizehnmorgenweg 13-15, 53175 Bonn is responsible for the financial supervision of the group headed by Allianz SE.

Allianz's external auditor is KPMG LLP, 15 Canada Square, London E14 5GL.

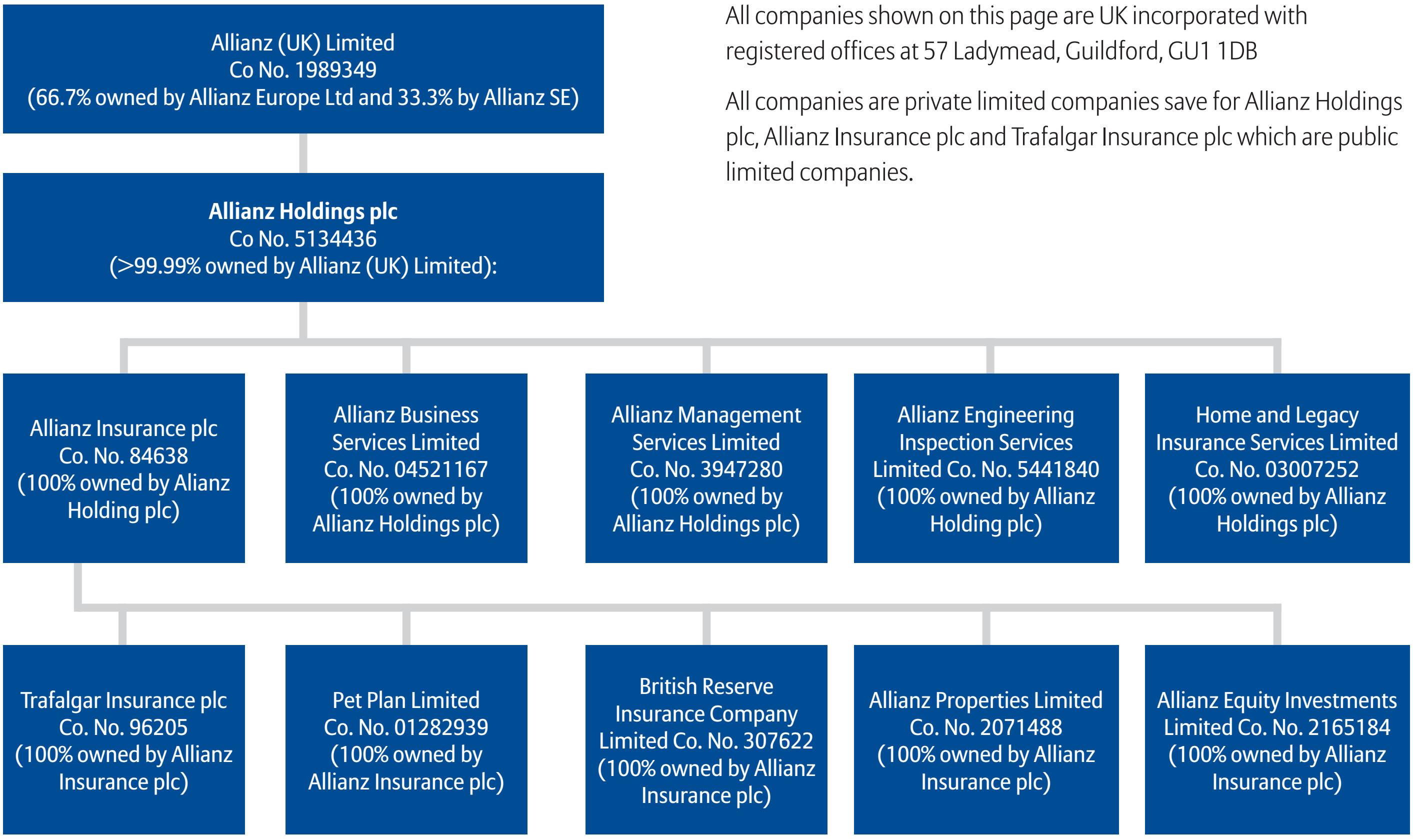
The structure charts below describe the position of Allianz Insurance plc within the Allianz group, including details of the holders of qualifying holdings in Allianz Insurance plc, and also the material related undertakings of Allianz Insurance plc.

Allianz (UK) Limited and its parent companies



A. Business and Performance

Allianz (UK) Limited and its material subsidiaries



All companies shown on this page are UK incorporated with registered offices at 57 Ladymead, Guildford, GU1 1DB

All companies are private limited companies save for Allianz Holdings plc, Allianz Insurance plc and Trafalgar Insurance plc which are public limited companies.

The material lines of business written by Allianz Insurance plc are motor vehicle liability, other motor, fire and other damage to property, general liability, legal expenses and miscellaneous financial loss. As a result of historical activity it also has provisions in respect of non-proportional marine, aviation and transport reinsurance. As a result of underwriting motor vehicle liability it has provisions in respect of annuities stemming from non-life insurance contracts. The only material geographical area in which the company carries out business is the United Kingdom.

On 27 February 2017, the UK Government's Lord Chancellor announced a new discount rate to be used to calculate future pecuniary losses in personal injury claims (the 'Ogden rate'). The real discount rate used in this calculation in the UK has changed from 2.5% to minus 0.75% resulting in an impact to technical provisions. This change, although it occurred after the year-end, was an adjusting event after the reporting period, and has been incorporated within the figures presented in this report as at 31 December 2016.

A. Business and Performance

A.2 Underwriting Performance

The table below summarises Allianz's premium volume and underwriting performance in 2016 and compares it to that of 2015.

	2016			2015		
	Gross Written Premium (£m)	Net Earned Premium (£m)	Combined Operating Ratio	Gross Written Premium (£m)	Net Earned Premium (£m)	Combined Operating Ratio
Motor vehicle liability	500	311	102%	565	479	98%
Other motor	173	107	123%	194	160	119%
Fire and other damage to property	567	303	97%	560	411	112%
General liability	218	122	97%	219	107	117%
Miscellaneous financial loss	566	326	94%	539	414	97%
Other	41	24	95%	69	40	85%
Accepted reinsurance	0	0	N/A	(1)	1	N/A
Total	**2,066**	**1,194**	**99%**	**2,146**	**1,612**	**103%**

In April 2016 a withdrawal from Allianz Direct Motor and Direct Household accounts was announced. This started taking effect later in the summer. At the same time Allianz took the opportunity to reorganise its business bringing together Allianz Commercial and Allianz Retail into one trading division and consolidating its underwriting technical resource into one team. This was the main driver for the fall in Gross Written premiums compared with 2015.

Allianz Insurance has purchased an outwards quota share reinsurance covering all lines of business with an Allianz group reinsurance company. At the beginning of 2016 this was increased to a 40% cession from the previous 20% which explains the reduction in the Net Earned premium between these two years.

Despite including the impact of the Ogden rate change in the 2016 figures, the 2016 result was significantly better than that achieved in 2015.

This turnaround was helped by the absence of a major weather event. In December 2015, floods cost the business around £93m gross of reinsurance. During 2016, benign weather and improved prior year performance returned Allianz's Commercial accounts to profit. Performance in the Personal accounts was mixed, with Animal Health continuing to perform strongly while the Motor and Home accounts were adversely impacted by the costs arising from the decision to exit the Direct channel for those markets.

Commission rates to intermediaries rose a little in 2016. Consolidation continues to be a feature of the broker market with larger brokers trying to increase their remuneration rates. Rate increases remained difficult to achieve in 2016, and were generally below claims inflation other than in personal motor which has seen steady increases; consequently the business has now faced a third year of weak rating conditions.

A. Business and Performance

A.3 Investment Performance

The table below summarises the investment performance during 2016 of the funds directly invested by Allianz Insurance plc.

(£m)	Market Value 31/12/2015	Net additions /(disposals)	Net Unrealised Gains /(losses)	Market Value 31/12/2016	Net Realised Gains / write downs	Income	Expenses
Fixed Income	**2,168**	**(16)**	**54**	**2,207**	**9**	**54**	**(5)**
Government	559	13	3	557	2	8	
Securitized	434	(37)	5	403	0	8	
Corporates	1,175	8	46	1,247	7	38	
Deposits	**6**	**1**	**0**	**7**	**0**	**0**	**(0)**
Loans	**399**	**(6)**	**3**	**396**	**(3)**	**20**	**(0)**
Total	**2,573**	**(21)**	**57**	**2,610**	**6**	**74**	**(5)**

In this table, the column "Net realised gains/write downs" indicates the gains and losses recognised directly in equity. The table shows the investments held directly by Allianz Insurance plc. Investments in Equity and Real Estate, small as a proportion of total assets, are held by the subsidiary companies Allianz Equity Investments Ltd and Allianz Properties Ltd respectively, which are treated as participations in this report. The risks of those investments are considered in section C and included in the Internal Model.

The investment strategy of Allianz Insurance plc has continued to concentrate on minimising risk to the overall result and to the solvency of the core insurance operations from which the investment cash flows are derived. Cash and other very short-term investments were maintained at low levels as returns in these classes continued to be low. The allocation to high quality corporate and securitised bonds remained overweight to enhance returns.

Investment performance during the year was broadly as expected, although falling interest rates and tightening spreads provided a boost to the value of fixed interest assets.

A.4 Performance of Other Activities

In 2016, there were no material items of other income. The company incurred £16m other expenses in management charges from a fellow group undertaking for administration and claims management services. The equivalent figure in 2015 was £15m.

The company has no leasing arrangements which are material to the performance of the company.

A.5 Other Information

During the year, as a result of the reorganisation of the business and the closure of the Direct Motor and Household books, restructuring charges of £9m were incurred. There were no restructuring expenses incurred in 2015.

B. System of Governance

B.1 General Information on System of Governance

This section is unaudited.

The Board and its Committees

On 31 December 2016 the Board comprised a non-executive Chairman, five non-executive directors and two executive directors. The Chairman and one of the non-executive directors are Allianz SE executives. The Board is responsible for deciding strategy and for ultimate oversight of the conduct and performance of Allianz. It is also responsible for external reporting.

The Board has established a number of committees and a system of internal control to ensure the efficient and effective operation of the business. Allianz Insurance plc is managed together with the other subsidiaries of Allianz Holdings plc, and the Boards of these two named companies are identical.

The members of the Board and Board member membership of its committees are detailed below. All committees are responsible for oversight of their subject matter for all companies in the Allianz Holdings plc group, including Allianz Insurance plc.

Where potential conflicts of interest exist between Allianz Insurance plc and its policyholders and other companies in the Allianz Holdings group, processes are in place to manage those conflicts, including documented requirements for governance and appropriate independence. All Boards maintain and regularly review a conflicts of interest register.

		Management Board	Board Risk Committee	Audit Committee	Finance Committee	Compensation Committee	Nominations Committee
Axel Theis	**Chairman**		x	x	x	x	
Brigitte Bovermann*			x	x	x	x	
Christian Dinesen			x	Chair			x
Rick Hudson			Chair	x			x
Rosanne Murison			x	x		Chair	Chair
Andrew Torrance			x	x			
Jon Dye	**Chief Executive Officer**	Chair			Chair		
Mark Churchlow	**Chief Financial Officer**	x	x		x		

* Resigned, 31 March 2017

B. System of Governance

The Board Risk Committee is responsible for oversight of risks, the links between different risks, the Enterprise Risk Management Framework within which the company manages those risks, and the activities of the Risk Department.

The Audit Committee monitors the integrity of the financial statements, financial reporting developments, financial controls and the system of internal control.

The Finance Committee is responsible for investment strategy, approval of Mergers and Acquisitions and other non-routine transactions, investments in derivatives and options, together with the approval and monitoring of the implementation of investment strategy.

The Compensation Committee is responsible for compensation strategy, and the structure and the amount of compensation for the directors and senior executives of the company.

The Nominations Committee, established on 30th November 2016, is responsible for identifying non-executive director candidates for Board approval, and for ensuring that robust succession plans are in place for directors, non-executive directors and Management Board Members.

The Management Board is the principal executive committee of the Board. The Management Board meets monthly to monitor business performance, compliance and risk management, discuss developing issues, monitor and develop strategy and to make material operational decisions.

The members of the Management Board are:

- Jon Dye – Chief Executive Officer
- Mark Churchlow – Chief Financial Officer
- Jacob Abboud – Chief Information Officer
- Neil Clutterbuck – Chief Underwriting Officer
- Philip Gennoy – Chief HR Officer
- Graham Gibson – Chief Claims Officer
- Simon McGinn – General Manager, Commercial and Personal
- Stephanie Smith – Chief Operating Officer
- Kevin Wenzel – Chief Actuary

The four key functions required by Solvency II are each headed by direct reports of the Chief Executive Officer or the Chief Financial Officer. They are:

- Risk Function: Stephen Wilcox – Chief Risk Officer
- Internal Audit Function: Andrew Gascoyne – Head of Internal Audit
- Compliance Function: Ann Alexander – Group Compliance Officer
- Actuarial Function: Kevin Wenzel – Chief Actuary

Key Function authority, operational independence and resource are described in sections B.3 – B.6 of this report.

All members of the Board and Management Board, the heads of the four key functions and certain other senior managers have been approved by the PRA and/or the FCA.

The PRA has set prescribed responsibilities which must be allocated to specific individuals in insurance companies. The table below sets out which role within Allianz is responsible for the execution of each specific responsibility.

B. System of Governance

No	Prescribed Responsibility	Allocation
1	Responsibility for ensuring that the firm has complied with its obligation in Insurance - Fitness and Propriety 2.1 to ensure that every person who performs a key function (including every person in respect of whom an application under s59 of FSMA is made) is a fit and proper person	Chairman
2	Responsibility for leading the development of the firm's culture by the governing body as a whole	Chairman
3	Responsibility for overseeing the adoption of the firm's culture in the day-to-day management of the firm	Chief Executive
4	Responsibility for the production and integrity of the firm's financial information and its regulatory reporting	Chief Financial Officer
5	Responsibility for management of the allocation and maintenance of the firm's: (a) capital; and (b) liquidity	Chief Financial Officer
6	Responsibility for the development and maintenance of the firm's business model by the governing body	Chief Executive
7	Responsibility for performance of the firm's ORSA	Chief Risk Officer
8	Responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body	Chairman
9	Responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all of the firm's key function holders (other than members of the firm's governing body)	Chief Executive
10	Responsibility for the oversight of the independence, autonomy and effectiveness of the firm's policies and procedures on whistleblowing including the procedures for protection of staff who raise concerns from detrimental treatment	Chair of Risk Committee
11	Responsibility for overseeing the development and implementation of the firm's remuneration policies and practices	Chair of Compensation Committee

B. System of Governance

The preceding roles and responsibilities are supported by a small number of individually identified Key Function Holders and Key Function Performers.

During the year the only material changes in the system of governance were the establishment of a Nominations Committee, as noted above, and the institution of an Operational Risk Committee, a Model Committee and an Underwriting Committee as sub-committees of the Board Risk Committee. These sub-committees replaced a Management Risk Committee. They had previously existed as meetings in different forms.

Remuneration principles

Allianz's remuneration framework has been constructed to ensure that it is competitive and provides a balance of both fixed and variable pay but does not encourage excessive risk taking. The framework and the processes within it are reviewed by the Compensation Committee. The review also monitors that the remuneration framework is consistent with the company's identified risk appetite.

The Compensation Committee is responsible for the sign off of all remuneration decisions affecting the senior executive managers of the company. This ensures impartiality of decision-making and ensures there are no conflicts of interest in respect of remuneration decisions.

The remuneration of all employees comprises a combination of basic salary, appropriate benefits and a performance related bonus. In the case of senior employees the bonus is paid as a combination of cash and long-term equity incentives whose value is related to the share price of Allianz SE. The performance related bonus is based upon a combination of company performance against targets and personal performance against specific personal objectives. It is the responsibility of managers to ensure that personal targets in place are objective and understood by the participants.

External non-executive directors receive fixed remuneration.

The company provides a defined contribution pension scheme which is open to all employees. In previous years employees were offered a defined benefit pension plan that provided benefits linked to salary. This was closed to any further accrual of benefits in 2015.

During 2016 the only material transactions with shareholders, persons who exercise significant influence on the undertaking, or with members of the administrative, management or supervisory body were the payment of £34m of reinsurance premium to Allianz SE and the receipt of £2m of reinsurance recoveries.

In this context we have understood "persons who exercise significant influence" to be equivalent to "People with Significant Control" as defined by the Companies Act 2006, together with the People with Significant Control over those People and so on to the ultimate group shareholder.

B.2 Fit & Proper Requirements

The company requires that all directors and other senior managers possess integrity, repute, specific skills, knowledge and the experience necessary to execute their respective roles. This requirement has been aligned to satisfy the requirements of the PRA and/or FCA for all managers identified as Key Function Holders and/or Key Function Performers within the UK regulatory Senior Insurance Managers' regime.

Processes are undertaken to assess the fitness and propriety of individual managers and directors subject to the Senior Insurance Managers' regime prior to those persons joining the company and annually throughout their employment. The main exercise is a detailed attestation by the relevant individual. This includes declarations concerning:

- criminal proceedings or investigations against them or any firm over which they have held influence;
- civil proceedings and bankruptcy orders or liquidation or similar proceedings against them or any firm over which they have held influence;
- disciplinary and regulatory proceedings or findings against them;
- compliance with procedures concerning personal account dealings in Allianz SE and other securities;
- potential or actual conflicts of interest.

B.3 Risk Management System including Own Risk & Solvency Assessment

Risk Management System

The design and operation of the Risk Management System is the responsibility of the Chief Risk Officer. The Risk Management System encompasses all levels of the company's management. The components of the System, described below, are embedded in the operations of the organisation. The System is built around the Three Lines of Defence model.

B. System of Governance

- The first line of defence comprises risk taking units which are responsible for delivering profit and loss.
- The second line comprises independent risk controlling units, including Risk and Compliance, which oversee the framework in which the business works.
- The third line of defence is the Internal Audit function, which reviews the activities of both first and second lines of defence.

The Board of directors and Management Board are responsible for setting the firm's strategy and risk appetite, with the support and challenge of the Risk function.

The Board identifies and prioritises all the material risks facing its business, supported by the Management Board, the Board Risk Committee and the Risk function. After identifying the risks the Management Board ensures arrangements are put in place to control those risks. Risk and control policies are documented.

The main risks are kept under regular review by the Board via reports from the Risk function to the Board Risk Committee. The Board Risk Committee is supported in its oversight of risk by an Operational Risk Committee, an Underwriting Committee and an Investment Committee.

The role and responsibilities of the Chief Risk Officer, the Board Risk Committee, and its sub committees, are laid down in relevant Terms of Reference.

The Chief Risk Officer is supported by a full-time Risk function consisting of risk and actuarial professionals. It has responsibility for the calculation of risk capital and validation of the risk capital model, the development and monitoring of the implementation of risk policies, the identification and monitoring of risks, including conduct risks, and the management testing of the key controls that mitigate risk. It has a reporting line independent of first-line functions, and independence is guaranteed by written policy and by the oversight of the Board Risk Committee.

To ensure risk management is fully integrated into the business and effective control is maintained, each key risk and each control is owned by a member of the Management Board. Members of the Management Board and their direct reports take first-line accountability for the identification and management of all risks in the organisation.

In order to ensure comprehensive coverage of the risk landscape, risk analysis is undertaken within a risk taxonomy which is also represented in the design of the Internal model (see section C). The local risk taxonomy is split into three broad groups of risk types:

1. Quantified: Market, Credit, Insurance, Operational
2. Unquantified: Reputational, Liquidity, Strategic
3. Cross-risks: Aggregation and accumulation, Conduct, Group, Emerging.

Internal Model Governance and Validation

Allianz Insurance plc has received approval from the PRA as a member of the College of Supervisors of the Allianz group to use the Allianz group internal model to calculate its Solvency Capital Requirement ("SCR"). Supporting this approval is a full governance framework. Roles and responsibilities are defined based on governance requirements laid down by Allianz SE.

The Board is responsible for confirming the ongoing appropriateness of the internal model at least annually, and for approving internally any major model change and associated application for regulatory approval.

The Board Risk Committee is responsible for making a recommendation to the Board on those subjects, and for monitoring remediation action for identified model weaknesses. It is supported by a Model Committee, which is an executive sub-committee of the Board Risk Committee. The model committee undertakes detailed reviews of modelling decisions and of validation and makes recommendations to the Board Risk Committee.

During 2016, model validation guidelines were updated and a new process for making minor and immaterial model changes was introduced.

All components of the internal model are subject to independent validation, either locally or at Allianz group level. For each component of the model, a Suitability Assessment is produced by the Risk function which reviews the appropriateness of the component as it pertains to Allianz Insurance plc. These validation components are brought together in an Annual Validation Report. All parts of the validation suite are reviewed in depth by the Model Committee on behalf of the Board Risk Committee. The Board Risk Committee reviews the recommendations of the Model Committee and applies a top-down high-level validation of the model and its results.

ORSA Process

The Own Risk and Solvency Assessment (ORSA) process forms a substantial part of the Risk Management System described above. It consists of a number of interlinked sub-processes, mainly operated and facilitated by the Risk department with the participation of appropriate managers and other experts from across the organisation. The process is documented and approved by the Board. The Risk function validates the outputs of each process individually, and also undertakes cross-validation between the outputs of each process, to ensure consistency or understand differences.

B. System of Governance

The ORSA process is overseen by the Board in the system of governance described in B.1, the main route for this oversight being the consideration of an ORSA report. This full, detailed report is produced annually coincident with the production of the corporate plan, and is updated quarterly and following any event that materially changes the risk profile of the organisation.

It is underpinned by individual accountabilities and processes undertaken by first-line managers across the organisation. These include but are not limited to defined authority levels for claim handling and underwriting, and limits on investment risk-taking.

The major sub-processes which contribute to the ORSA process are:

- The setting of risk strategy and appetite by the Board, on the advice of the Board Risk Committee and Chief Risk Officer.
- The development of strategy and a corporate plan by the Management Board within the defined risk appetite.
- The approval of policy on the management of risk by appropriate governance bodies and the monitoring of compliance with that policy by the Risk function.
- A number of Risk evaluation processes, including:
  - The maintenance of a Top Risk register, including a record of the controls around those risks.
  - The regular analysis of the impact of specific stress scenarios.
  - The operation of the internal model.
  - The maintenance of a register of key operational risks.
- Regular internal reporting on risk exposure and control to governance bodies inside the organisation.
- Regular external reporting to regulators and to the public, as required by Solvency II and UK regulation.

The company uses Allianz SE's risk based internal model to determine its solvency needs. This capital model is directly based on the risk profile of the company (see section C) and is used as the primary input for decisions on capital management (see section E). The Chief Financial Officer ensures that recommendations to the Board on capital management take account of risk management activities, including internal model calculations. The company's policy on capital management is documented and approved by the Board.

Dividends are one of the key tools used for capital management. They are planned through the company's annual planning mechanisms, taking into account the Board's requirement to hold an appropriate buffer over SCR and also the requirements to fund planned growth or absorb planned increased risk.

B.4 Internal Control System

To ensure an effective internal control system, all functions cooperate to exchange necessary information and advice. Mechanisms are in place between the second- and third-line functions to allow fully informed decision making. Second- and third-line functions maintain open lines of communication with first-line functions, and regularly attend key committees at all levels.

With specific regard to the integrity of financial reporting, the Risk function oversees the operation of a process of Internal Control over Financial Reporting (ICOFR). Under ICOFR processes relevant for financial reporting are tested by first-line management and for certain high-risk processes by the Internal Audit function. Senior managers across the organisation, culminating in the Chief Financial Officer and the Chief Executive Officer, are held accountable for the effective design and performance of processes within their span of control. The ICOFR process, including the reporting of deficiencies and their remediation, is monitored by the Audit Committee.

Compliance Function

The Compliance function comprises a full-time team of compliance professionals led by the Group Compliance officer. It has a reporting line independent from first-line functions; independence is ensured by written policy and by the oversight of the Board Risk Committee. The Compliance function produces an annual plan in consultation with the Risk and Audit functions for approval by the Management Board and the Board. Delivery of this plan, findings from monitoring exercises and remediation of those findings are overseen by the Management Board and the Operational Risk Committee on behalf of the Board Risk Committee.

The function's primary responsibilities and activities are:

- to support and monitor compliance with applicable law, regulations and administrative provisions to protect Allianz against compliance and conduct risks.
- to advise senior management, committees and the Board on compliance with laws, regulations and administrative provisions adopted pursuant to the Solvency II Directive.

B. System of Governance

B.5 Internal Audit Function

The Internal Audit function comprises a full-time team of audit professionals led by the Head of Internal Audit. It has a reporting line to the Chief Executive to ensure independence from first-line and second-line functions; independence and objectivity is ensured by written policy and by the oversight of the Audit Committee. The Internal Audit function produces an annual audit plan in consultation with the Management Board, the second-line functions and the Board. Delivery of this plan, findings from audits and remediation of those findings are overseen by the Audit Committee.

The primary responsibilities and activities of the function are to:

- carry out reviews of major business activities focusing on the areas of greatest risk to the business together with in-depth reviews of corporate functions and provide specialist expertise such as IT audit capability.
- assess adherence to and the effectiveness of internal systems and controls, procedures and policies.

B.6 Actuarial Function

The Actuarial function consists of the Chief Actuary and an experienced qualified actuary, both of whom hold an appropriate Chief Actuary Practicing Certificate. Both are employed by Allianz. They lead a full-time team of qualified and student actuaries. The primary responsibilities and activities of the function are to:

- inform the Board of the reliability and adequacy of the calculation of technical provisions;
- coordinate and oversee the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- express an opinion on the overall underwriting policy and adequacy of reinsurance arrangements.

The Actuarial function's independence is guaranteed by written policy. It provides guidance to the Chief Financial Officer on technical provisions through reserve committees. The work of the Actuarial function and its independence is overseen on behalf of the Board by the Board Risk Committee.

B.7 Outsourcing

Allianz has a local outsourcing policy that aligns with the key principles of the corresponding document at the Allianz group level and the requirements of Solvency II. This local policy provides necessary local further guidance, particularly in the area of underwriting and claims activities, for example concerning delegated authorities.

The local policy sets out a clear framework for the management of outsourcing, based on best practice defined by the local Procurement team. Compliance with the policy is overseen by the Procurement team, who also provide expert advice on setting up, managing and terminating outsourcing and other contracts.

The most material outsourcing arrangements are reviewed at least annually by the Management Board on behalf of the Board, and the review process is monitored by the Board Risk Committee.

Allianz does not outsource any of the four key functions – Risk, Compliance, Internal Audit and Actuarial – required by Solvency II. The table below outlines the critical or important operational functions or activities that are outsourced, and the jurisdiction in which the service providers are located.

B. System of Governance

Activity outsourced	Fellow member of the Allianz Group	Outsourcing Provider's Jurisdiction
Delegated authority to handle specific claims and/or underwriting of specific segments	N	United Kingdom
Handling of runoff claims and provision of specific underwriting expertise	Y	Germany
Loss adjusting services	N	United Kingdom
Provision of document preparation, printing and distribution	N	United Kingdom
Application development and maintenance, customer and business services	Y	India
Information technology infrastructure provision	Y	Germany
Management Services, including provision of staff	Y	United Kingdom

The provision of Management Services in the final row of the table above is outsourced to a fellow subsidiary of Allianz Holdings plc.

B. 8 Any other Information

Allianz continuously monitors the effectiveness and adequacy of its System of Governance, including the effectiveness of specific functions, and believes them to be operating effectively. This assessment takes into account the nature, scale and complexity of the risks inherent in its business.

C. Risk Profile

This section is unaudited.

Risk is measured and steered using a number of qualitative and quantitative tools. There have been no material changes to the measures used to assess risks during 2016.

Allianz insures only non-life insurance risks. As a result of its asset management activities to support its primary business activities it is also exposed to market and credit risks. As a result of its exposure to a legacy defined benefit pension fund Allianz has exposure to life insurance risks. It is also exposed to life insurance risks because it settles certain claims as PPOs (Periodic Payment Orders).

This section provides information on Allianz's overall risk profile followed by a description of each risk category in detail.

Allianz extensively uses stress testing and sensitivity analysis for all material risks and events. The primary mechanism for this analysis is the internal model, which is itself a stress testing model, assessing the impact on the total balance sheet of stresses on specific parameters.

It is also periodically used to perform investigations into specific real-world scenarios of relevance to the company, across all risk types, and also to undertake regular analyses of one-factor stresses. These analyses cover both the direct impact on the balance sheet and also secondary impacts on solvency. All these analyses are reported to the Board Risk Committee, and are also used as input into decisions about capital requirements.

Allianz does not use Special Purpose Vehicles to transfer risk. Save as described below, its Solvency II Balance Sheet is not exposed to risk from positions off that balance sheet.

C.1 Underwriting Risk

Underwriting risk consists of:

- premium risk and reserve risk for the insurance business,
- longevity risk for the pension fund, and
- business risk.

The capital held for underwriting risk before diversification within this category or with other risk categories is £734m.

The key underwriting risk concentration for Allianz is geographical – most of its business is written in Great Britain, so it does not have international geographical diversity and is exposed to UK government decisions, such as the change in the Ogden discount rate. Nevertheless, its insurance portfolio is geographically dispersed within the country, and it displays significant diversity within its product set, as illustrated by the table in section A.2.

Premium risk

Allianz receives premiums from its customers and provides insurance protection in return. Changes in profitability over time are measured based on combined ratios and their fluctuations. Allianz faces the risk that underwriting profitability is less than expected because there are more claims than expected, or claims are higher in value than expected on average.

Premium risk is subdivided for the purposes of assessment into natural catastrophe risk, terror risk and non-catastrophe (attritional) risk. The calculation of premium risk capital is derived from actuarial models that are used to derive loss distributions and from external models for natural catastrophe risk.

Allianz actively manages its premium risk. There are clear underwriting limits and restrictions, and other controls, defined and monitored by the Chief Underwriting Officer. There is a product development process which defines governance around product development, including authorization required from both the Technical and Risk teams.

Peak risks including accumulation risks are mitigated by reinsurance agreements, and their continued effectiveness is overseen by a Reinsurance Panel, which is a sub-committee of the Management Board.

The Underwriting Committee provides review and oversight of the underwriting risk and technical underwriting control environment. It acts as the prime interface between the Technical and the Risk Department, Compliance Department and Board Risk Committee on underwriting risk matters.

The main change to inherent risk exposure during 2016 was the decision to withdraw from Direct distribution of Motor and Home policies. The main change to residual premium risk exposure was the decision at the start of 2016 to increase the proportion of the whole-account quota-share reinsurance from 20% to 40%. In addition the change in the Ogden discount rate has resulted in a change to the company's risk exposure in respect of business already written but not yet exposed.

In order to understand its risk exposures, Allianz performs scenario analyses for premium risk as part of its risk limit framework. A one in ten year event for example would decrease Allianz's Solvency ratio (that is, Own Funds divided by SCR) by14 percentage points.

Reserve risk

Allianz holds reserves for claims resulting from past events that have not yet been settled. If the claims reserves are insufficient to cover claims to be settled in the future due to unexpected changes, losses would be incurred. Claims reserves could be under-estimated if, for example, more claims had occurred in the past than have been estimated or average amounts paid per claim to settle these are higher than expected.

Allianz monitors the development of reserves for insurance claims on a line of business level quarterly, and conducts annual reserve

C. Risk Profile

uncertainty analyses based on similar methods to those used for reserve risk calculations. Allianz group performs regular independent reviews of these analyses and group representatives participate in the local Reserve Committee meetings.

The main change to reserve risk exposure was the decision at the start of 2016 to increase the proportion of the whole-account quota-share reinsurance from 20% to 40%. Section D.2 (Technical Provisions) covers reserve risk in more detail.

In order to adequately understand its risk exposures, Allianz performs scenario analyses for reserve risk. A one in ten year event for example would decrease Allianz's Solvency ratio by 11 percentage points.

Life insurance risks

The defined benefit pension fund is subject to a number of life underwriting risks. The only material risk is longevity, the risk that members live longer than expected. Allianz monitors its exposure by using actuarial models to assess that possibility, and performs scenario analyses. A one-in-ten-year event, for instance, would decrease Allianz's Solvency ratio by 14 percentage points. Allianz holds risk capital against this risk; the risk diversifies extremely well against other risks and so is of limited materiality in combination.

Technical provisions classified as Annuities stemming from non-life insurance contracts are also subject to longevity risk. The longevity risk from these technical provisions is assessed together with other risks arising from them.

Business risk

The business risks for Allianz include cost risks associated with expenses incurred in administering policies transpiring to be higher than expected, or that new business volumes decrease to a level that does not allow Allianz to absorb its fixed costs.

Allianz has no material sensitivity to business risk.

C.2 Market risk

The guiding principle for Allianz's investment risk management, covering Market Risk, Credit Risk and Liquidity Risk, is the Prudent Person Principle (Article 132 of the Solvency II EU Directive).

Allianz meets the Prudent Person Principle by employing a professional Chief Investment Officer, who is backed up by the global and specialist expertise of Allianz Investment Management. It also invests with reference to a Strategic Asset Allocation (SAA) which defines its long term investment strategy for the investment portfolio as a whole.

Allianz is exposed to movements in financial markets both through the investments of the insurance company and through the investments of the pension fund.

The risk capital before diversification within this category and with other risk categories allocated to market risks amounts to £1,018m. The main drivers are credit spread risk and inflation risk.

Allianz assesses its market risk exposure via quantitative and qualitative processes carried out by the Investment and Risk functions, including regular dialogue between the functions and formal reporting to the Investment, Finance and Board Risk Committees.

When setting up the SAA, care is taken to ensure an adequate target level of asset quality and security (for example, ratings and collateral) together with a sustainable return, as well as sufficient liquidity. Compliance with the SAA is monitored by the Risk function and by the Board Risk Committee with support from the Investment Committee.

The SAA is the main mechanism used to mitigate investment risk – it covers both the target value of assets in particular asset classes and the matching of duration between the asset and liability portfolios.

There have been no material changes in the methods used to assess market risk during 2016, and except as discussed below, no material changes to exposures to risk. Allianz has no material concentration of market risks, as illustrated by the table in section A.3.

Save as to hedge the currency risk within long-term incentive plans awarded to senior managers, Allianz does not use derivatives to seek or to hedge risk.

Equity risk

Equity investments are held to diversify the portfolios and take advantage of expected long-term returns. The key risk from equity holdings is a decrease in share prices. During 2016, the defined benefit pension fund divested from equity holdings in order to reduce risk.

As at 31 December 2016, sensitivity analyses show that a decrease in equity markets by 30% would cause a drop in Allianz's Solvency ratio of 4 percentage points.

Interest rate risk

Movements in interest rates can cause the value of Allianz's investments to move adversely relative to its technical provisions and pension liabilities, both of which are discounted on the balance sheet used to assess solvency. Exposure to this risk is mitigated substantially by undertaking asset-liability matching exercises, and in particular by setting a target for mismatch as part of the SAA.

As at 31 December 2016, sensitivity analyses show that a decrease in interest rates by 50 basis points across all durations would cause a drop in Allianz's Solvency ratio of 4 percentage points.

C. Risk Profile

Credit spread risk

Allianz's internal risk framework fully acknowledges the risk of declining market values for the fixed income assets – such as bonds – due to the widening of credit spreads. Credit spread is the difference in yield between two assets of similar maturity but different credit quality. Credit spread risk is mitigated by managing the credit quality of the fixed interest portfolio.

As at 31 December 2016, sensitivity analyses show that an increase in credit spread of 100 basis points for government bonds relative to swaps would cause a drop in Allianz's Solvency ratio by 9 percentage points.

Inflation risk

Allianz is exposed to changing inflation rates due to its non-life insurance obligations, and its internal pension obligations. Since inflation increases both claims and costs, higher rates of inflation will lead to greater liabilities. This risk is mitigated to some extent by investment in Index Linked bonds and other inflation-linked assets, although the mitigation is not perfect because of caps and floors in the sensitivity of pension liabilities to inflation indices and because the inflationary pressures on insurance liabilities are very varied.

As a result of the caps and floors on pension liabilities and the variety of inflationary pressures on insurance liabilities, it is impossible to assess precise sensitivity of the Solvency ratio to specific stresses on inflation indices. However, as an indication, most material stresses on expected inflation increase the solvency ratio because the pension fund caps and floors become more effective. The potential impact of inflation on insurance liabilities can be reviewed by considering the impact of loss ratio changes on the Technical Provisions – these are discussed in section D.2.

Currency risk

Currency risk is not a material risk as almost all Allianz's insurance business is written in Sterling and there are limited historical liabilities in other currencies. It is mitigated by ensuring that where such exposures do exist they are matched by appropriate assets.

Real estate risk

Direct and fund real estate investments are held to diversify the portfolios and take advantage of expected long-term returns and increased short-term yields. The key risk from these holdings is a decrease in property values. Real estate risk is mitigated by maintaining a diverse, high quality property portfolio and by taking advice from professional property managers. During 2016 a new property management firm was appointed. As at 31 December 2016, sensitivity analyses show that a decrease in property markets by 10% would cause a drop in Allianz's Solvency ratio of 3 percentage points.

C.3 Credit risk

Allianz's credit risk exposure arises from its investment portfolio and reinsurance counterparties. Credit risk arising from the investment portfolio accounts for the most significant part of the pre-diversified credit risk. Credit risk is measured as the potential economic loss in the value of Allianz's portfolio due to changes in the credit quality of its counterparts ("migration risk") or the inability or unwillingness of the counterparty to fulfill contractual obligations ("default risk").

The risk capital before diversification with other risk categories allocated to credit risk amounts to £113m. A one in ten year credit event would decrease Allianz's Solvency II ratio by 3%.

The only material concentration of credit risk is in respect of Allianz SE and its subsidiaries. Allianz's current reinsurance programme is placed with Allianz SE and Allianz Re Dublin dac for all risks, with the former providing catastrophe cover and the latter providing Risk XL cover for all other lines of business and whole-account quota-share cover. In addition, Allianz has made a significant loan to Allianz SE, which is collateralised via letters of credit.

In respect of reinsurance, the financial strength of Allianz SE and the interdependency between Allianz Re Dublin dac and Allianz SE is such that an impact on UK customers would only be felt in the event of a major global shock impacting the ability of reinsurance to respond to a major localised shock, such as an extremely major natural catastrophe in the UK.

Allianz is exposed to off-balance-sheet credit risk in respect of the collateralisation of its loan to Allianz SE and in respect of collateral maintained by issuing institutions to back certain securitised investments. This credit risk is managed by means of a careful selection of counterparties and by ensuring over-collateralisation of securitised investments.

Allianz monitors and manages credit risk exposures and concentrations monthly to ensure it is able to meet policyholder obligations when they are due and to maintain adequate capital and solvency positions. Limits are set and monitored by counterparty, with limits varying by type of investment and by counterparty credit rating.

This credit risk monitoring includes monitoring of off-balance-sheet exposures, to ensure that the risk mitigation techniques which give rise to the exposures remain effective.

C.4 Liquidity risk

Liquidity risk is the risk that requirements for current or future payment obligations cannot be met. The nature of Allianz's core business limits its exposure to liquidity risk, to the extent that it has negligible residual risk in normal circumstances.

C. Risk Profile

Premiums are received well in advance of liabilities, and most assets are traded in deeply liquid markets so that funds are available from the selling of these without a material discount except in the most extreme situations.

Allianz monitors the liquidity position under stressed scenarios, including major claim events and extreme reductions in market liquidity, to ensure that should large amounts of liquidity be required at short notice adequate liquidity would be available. Even in the most extreme modelled situation, Allianz retains access to very significant liquidity.

There are a small number of specific predictable large cash transfers out per year. These are managed closely by the accounting functions in conjunction with the Chief Investment Officer.

C.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, or from external factors other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Allianz's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall company standards for the management of operational risk. Compliance with these standards is supported by a programme of periodic reviews.

The main operational risks identified are those related to business continuity and provision of IT services, including risks related to information security; these are included on the risk register reviewed by the Board Risk Committee for the Board. The main concentration of operational risk relates to the provision of services by an intra-group third party company.

The key mitigants around operational risk are the development and maintenance of operational risk and control registers with the support of the Risk function, and the detailed monitoring of operational risk by first-line governance forums and by the Operational Risk Committee on behalf of the Board Risk Committee.

Concentration of internal operational risks, in so far as it exists in relation to business continuity, compliance and outsourcing risks, is monitored and managed through second-line and first-line review and oversight.

C.6 Other material risks

Strategic risk

Strategic risk is the risk of an unexpected negative change in the company's value arising from the adverse effect of management decisions regarding business strategies and their implementation. Strategic risks are mitigated by the review of strategies and plans by the Board and Allianz SE. They are evaluated and analysed as an input to the strategy and planning process and as part of the review of corporate plans by the Chief Executive, Chief Financial Officer and Chief Risk Officer.

Reputational risk

Reputational risk is the risk of an unexpected negative change in the company's value as a result of a decline in the reputation of the company in the eyes of its customers, regulators or staff. Reputational risks are mitigated by the implementation of policies on external and internal communication, and by active management of the relationships between Allianz and its regulators. They are evaluated and analysed in discussion between the Risk function and the corporate communications team.

Conduct risk

Conduct risk is the risk of detriment to customers, Allianz or its markets as a result of the actions of Allianz staff or other parties involved in the sale or administration of our products. It may manifest as operational risk or reputational risk, and may result in regulatory intervention. Conduct risk is mitigated by thorough training and communication programmes. It is evaluated and analysed by the Risk function and the Compliance function.

Pension risk

As discussed above, Allianz has exposure to pension risk via a legacy defined benefit pension scheme. Full details of the pension scheme and its valuation on the solvency balance sheet of Allianz Insurance plc can be found in note 16 to the Report and Accounts of Allianz Holdings plc.

Management of the pension scheme's assets and of the risks of the scheme are the responsibility of the trustees of the scheme, although they are obliged to consult the company in respect of major matters such as the investment policy or funding. In order to mitigate the risk to Allianz Insurance plc, the assets and liabilities of the scheme are considered and modelled alongside the assets and liabilities of the insurance company itself. Decisions on risk exposure and on capital management for Allianz Insurance plc take into account the risk exposure, assets and liabilities of the pension scheme.

D. Valuation for solvency purposes

Scope of report and introduction

The scope of this report is Allianz Insurance plc and the deficit of the Allianz Retirement and Death Benefit Fund. The pension deficit is reported in the financial statements of the sponsoring employer (Allianz Management Services Limited, a fellow Allianz UK group subsidiary) but for solvency purposes the deficit (net of deferred tax) is included within the Allianz Insurance plc Market Value Balance Sheet ("MVBS" – the Balance Sheet used under Solvency II to assess solvency) and Own Funds.

Allianz Insurance plc has two insurance subsidiaries, British Reserve Insurance Ltd and Trafalgar Insurance plc, each of which publishes its own Solvency and Financial Condition Report, and two investment subsidiaries, Allianz Equity Investments Limited and Allianz Properties Limited. The figures for those subsidiaries are not consolidated into the figures shown, but are reported as participations.

The recognition, measurement and valuation policies for IFRS reporting purposes applied by the Allianz Holdings plc group, of which Allianz Insurance plc is a member, are summarised in notes 1.4 and 2 to the Annual Report[1] of that group (pages 32 – 40). Allianz Insurance plc adopts the same recognition, measurement and valuation policies for IFRS purposes as the other members of the Allianz Holdings plc group. This report summarises any differences to those valuation policies for solvency purposes.

The table below shows the IFRS balance sheet of Allianz Insurance plc as at 31 December 2016, and the key reclassifications and valuation differences between that and the balance sheet used for solvency purposes.

https://www.allianz.co.uk/content/allianzcouk/en_gb/application/content/documents/company-documents/annual-report-2016/_jcr_content/documentProperties/currentDocument.res/annual-report-2016-final.pdf

D. Valuation for solvency purposes

(£m)	IFRS Balance Sheet	Reclassification	Valuation difference	Solvency II MVBS
Assets				
Goodwill	3		(3)	0
Deferred acquisition costs – Gross	203	(81)	(122)	0
Deferred tax asset	3		45	47
Property for own use	15			15
Holdings in related undertakings, including participations	287		170	458
Investments				
Government Bonds	557			557
Corporate Bonds	1,247			1,247
Collateralised securities	403			403
Derivatives		10		10
Deposits other than cash equivalents	7			7
Loans and mortgages	361	46	35	442
Reinsurance recoverables				
Non-life	1,231		(191)	1,039
Life	81		28	109
Insurance and intermediaries receivables	765		(681)	84
Trade receivables	179	(2)	10	187
Cash and cash equivalents	37	(46)		(8)
TOTAL ASSETS	**5,379**	**(74)**	**(709)**	**4,597**
Liabilities				
Deferred acquisition costs – reinsurers' share	81	(81)		0
Technical provisions				
Best Estimate – non-life	2,674		(911)	1,763
Risk Margin – non-life			100	100
Best Estimate – life	114		53	168
Risk Margin – life			52	52
Provisions other than technical provisions	3	7		11
Defined pension deficit			107	107
Deposits from reinsurers	901	14		916
Insurance and intermediaries payables	39		(8)	32
Reinsurance payables	84	(14)	(63)	7
Trade payables	45			45
Other liabilities	313			313
TOTAL LIABILITIES	**4,256**	**(74)**	**(669)**	**3,514**
Excess of assets over liabilities	**1,123**		**(40)**	**1,083**

D. Valuation for solvency purposes

There were no changes made to the recognition and valuation bases used or to the bases used for making estimations during the reporting period.

Deferred Taxes

Deferred taxes, except deferred tax assets arising from the carry forward of unused tax losses, are valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with the Solvency II Directive, and the values ascribed to assets and liabilities as recognised and valued for tax purposes. The main source of the valuation difference of deferred taxes is the inclusion of the pension deficit for Solvency II.

Temporary differences between the Solvency II value of the assets and liabilities and their corresponding tax base as defined in IAS 12 are assessed, and any deferred tax asset or liability is adjusted or set up as required. The methods used to value deferred tax assets and/or liabilities under IAS 12 are disclosed in the IFRS accounts of Allianz Holdings plc referred to above in the introduction to this section.

The tax rates used in the calculation are the applicable UK tax rates. For losses and claims equalisation reserve balances, this is a blended rate based on the applicable rate at the time the deferred tax items are expected to reverse. Deferred tax on all other items is calculated at the rate that was in force on the reporting date.

D.1 Assets

Participations in insurance companies are valued at the value of their Solvency II Own Funds. Participations in other undertakings are valued using the adjusted equity method, and therefore at their IFRS Net Asset Value. Goodwill is valued at zero.

Cash flows relating to deferred acquisition costs are included as an offset to the best estimate of the Technical Provisions in the MVBS and are not recognized separately as an asset. For further details, please refer to the section (D.2) on Technical Provisions. A loan to Allianz SE is valued at cost in the IFRS balance sheet, but at market value in the MVBS. This market value is assessed in line with the provisions of the loan contract by taking into account penalties payable for early repayment in lieu of future interest.

Receivables are measured at nominal value with an adjustment for a provision for bad or doubtful debts under IFRS and MVBS, unless the market value deviates materially from the adjusted nominal value. In that case, the market value is used in the MVBS.

In the case of insurance-related receivables, the difference between IFRS and MVBS mainly relates to the recognition of certain premiums that are already included in the receivables under IFRS, while they are recognized within technical provisions in the MVBS, because such premiums are not yet due by the balance sheet date.

For the following classes of asset there is no material difference in valuation between the MVBS and the IFRS accounts: Property for own use; Investments other than the loan detailed above; cash and cash equivalents. Full details on the valuation methodology used are disclosed in the IFRS accounts of Allianz Holdings plc referred to above in the introduction to section.

D. Valuation for solvency purposes

SII line of business	IFRS provisions	Adjustment in respect of future premiums and exposures	Sundry adjustments	Discounting adjustment	Risk margin	SII technical provisions
Motor vehicle liability insurance	525	(72)	2	(8)	25	**472**
Other motor insurance	40	(37)	0	(0)	1	**3**
Fire and other damage to property insurance	210	(142)	0	(2)	8	**76**
Miscellaneous financial loss	151	(221)	0	(0)	1	**(68)**
Legal expenses insurance	28	(69)	0	0	4	**(37)**
General liability insurance	343	(32)	2	(11)	59	**361**
Non-proportional marine, aviation and transport reinsurance	19	1	(3)	(1)	2	**17**
Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	36	1	6	16	52	**111**
Total	**1,353**	**(572)**	**8**	**(6)**	**152**	**935**

D.2 Technical Provisions

The table above shows a breakdown of the differences between IFRS provisions and MVBS technical provisions by line of business. The first column shows the IFRS technical provisions net of reinsurance and Deferred Acquisition Costs. The final column shows the Solvency II net technical provisions including the risk margin.

In this table, "Sundry adjustments" includes adjustments in respect of expenses and counterparty defaults, which are not material individually. The most significant adjustment is the column "adjustment in respect of future premiums and exposures", which mainly reflects the inclusion of future premiums within the technical provisions, rather than being held as debtors on the IFRS balance sheet. This is most material for the large portfolio of regular premium Animal Health business contained within the 'miscellaneous financial loss' line, which causes overall technical provisions for this line to be negative.

The discounting adjustment for the annuities line is positive because reserves for the periodical payment orders contained within this line are already discounted under IFRS. The discount rate assumed under IFRS is higher than the risk-free rate prescribed under Solvency II as it reflects the expected yields over a long time period on the types of assets held by the company.

The Solvency II risk margin is a material component of the technical provisions that is not required under IFRS. The risk margin for the annuities line is most significant as a proportion of overall provisions, due to the long duration of these liabilities and high capital charges that it attracts under Solvency II.

Basis

Technical provisions are calculated in respect of all insurance obligations to policyholders.

The value of the technical provisions corresponds to the current amount required to transfer insurance obligations immediately to another insurance entity.

The technical provisions consist of the claims provision, premium provision and risk margin, and these elements are calculated separately. Together the claims provision and the premium provision constitute the best estimate liabilities (BEL). Each element is calculated by line of business, both gross of reinsurance and for associated reinsurance recoveries. For each line of business, the approach taken is the same, and the methods and assumptions used for each line of business are based on the actual exposure and experience of that line of business.

D. Valuation for solvency purposes

Methods and assumptions

The calculation of the BEL is based on up-to-date and credible information and realistic assumptions and is performed using actuarial and statistical methods relevant to the line of business.

The claims provision is based on the IFRS claims provision, with the addition of an allowance for future claims handling and investment management expenses. A payment pattern derived from historical data for each line of business is applied to each element of the claims provisions to obtain future cash flows, which are discounted to reflect the time value of money in line with Solvency II requirements. A final adjustment is made as described below in respect of future premiums.

To calculate the premium provision, the IFRS Unearned Premium Reserve (UPR), adjusted to allow for future premium development arising from mid-term adjustments or cancellations, is used as an exposure measure.

Future loss ratio assumptions, derived separately for each line of business, are applied to the adjusted UPR to obtain an estimate of future claims. Allowances are also made for future expenses, profit commission and levies. A payment pattern is applied to each element of the premium provision to obtain future cash flows, which are discounted in line with Solvency II requirements.

Under IFRS, future premiums are held as receivables on the balance sheet. Under Solvency II, all future cash flows arising from insurance contracts, including future premiums, must be included within the technical provisions. Accordingly, that portion of IFRS receivables that is not yet due is transferred to the technical provisions under Solvency II.

The receivables are adjusted for future premium development consistent with the UPR adjustment described above, and are discounted. Future premiums relating to business that has already been earned are included within the claims provision, whereas the part that is unearned is assigned to the premium provision.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the insurance obligations over their lifetime.

Our approach to estimating future SCRs is based on the current SCR as a proportion of best estimate provisions, adjusted to reflect the increased levels of riskiness of the claims reserves over time. It uses ratios to assess premium risk and reserve risk capital throughout the runoff period, and grossing up factors to scale up for other risks.

This approach is based on the following assumptions:

- The current ratios of reserve risk capital to net reserves by line of business will increase over the runoff.
- The runoff profile of non-insurance risks follows that of the insurance risks (for example operational risk will not reduce faster or slower than reserve risk).
- The risk margin is held to cover runoff of an ongoing entity, which benefits from its existing diversification between reserve risk and premium risk.

The cost of capital rate used in the calculation of the risk margin is set by EIOPA at 6%.

The table below shows technical provisions both gross and net of reinsurance by Solvency II line of business.

SII line of business	Gross			Net		
	Claims Provision	Premium Provision	Risk Margin	Claims Provision	Premium Provision	Risk Margin
Motor vehicle liability insurance	761	129	25	409	38	25
Other motor insurance	(7)	42	1	(5)	8	1
Fire and other damage to property insurance	210	10	8	128	(61)	8
Miscellaneous financial loss	51	(20)	1	32	(102)	1
Legal expenses insurance	0	(43)	4	12	(53)	4
General liability insurance	480	50	59	295	7	59
Non-proportional marine, aviation and transport reinsurance	99	3	2	17	(1)	2
Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	168	0	52	59	0	52
Total	**1,762**	**170**	**152**	**947**	**(164)**	**152**

D. Valuation for solvency purposes

The Solvency II basis has inherent uncertainty around the discount benefit arising from future movements in the yield curve and payment patterns. Other than discounting assumptions, the assumptions that have the greatest effect on the movement of provisions are those that affect the expected level of claims. These can come from a number of sources, including, but not limited to:

- the impact of the recent change in Ogden discount rate and future changes in the rate;
- claim reporting patterns being different from those expected;
- claims settlement amounts being different in aggregate to that expected for example as a result of different levels of inflation;
- reinsurance recoveries being different to the levels expected;
- claim handling costs being different from those expected;
- the emergence of currently unknown latent diseases to a different level from that expected.

The calculation of the technical provisions requires a number of assumptions in addition to those supporting the IFRS calculations. Key additional assumptions include:

- Future loss ratio assumptions drive the allowance for future claims within the best estimate premium provision.
- Future expense assumptions are required for claims management expenses, future policy administration expenses and future investment management expenses as well as future reinsurance costs (net of future recoveries) and levies.
- Future cashflow assumptions are used for the discounting calculation.

Sensitivity analysis has been conducted to understand how the technical provisions react to changes in the key assumptions documented above. The results are shown below.

Sensitivity	% change in net technical provisions
Increase future loss ratios by 1pp	0.7%
Decrease future loss ratios by 1pp	–0.7%
Increase risk yield by 0.5pp	–3.9%
Decrease risk yield by 0.5pp	4.3%
Delay payment time by 1 Year	–1.5%

No matching adjustment or volatility adjustment is applied to the risk free yield curve used to discount the technical provisions. No transitional arrangements are applied.

Reinsurance recoverables

Reinsurance recoverables are calculated separately for the claims provision and premium provision. The following cash in- and out-flows are taken into account:

Cash in-flows:

- recoverables from reinsurance contracts for claims payments and related expenses;
- revenues from reinsurance commission and profit shares where specified in individual reinsurance contracts.

Cash out-flows:

- future premiums for reinsurance contracts;
- counterparty default adjustment.

Reinsurance recoverables for the claims provision are based on the IFRS reserving exercise. For the main classes of business Allianz Insurance plc purchases excess of loss contracts with sufficiently high retentions for only relatively few large claims to be recoverable. Incurred but not reported provisions for outstanding claims are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. Any difference in timing between expected claims settlement and related reinsurance recoveries is reflected in the timing of the reinsurance cash flows.

For the premium provision, future claims within the premium provision are calculated both gross and net of reinsurance and the reinsurance recoverable is calculated as the difference between them. Future net claims are based on a loss ratio method consistent with the gross claims projection. Net UPR is adjusted to ensure that contract boundaries are consistent between the gross liabilities and the reinsurance recoveries on those liabilities. This involves removing any reinsurance exposure related to future new business and including additional reinsurance exposure for current business covered by the reinsurance treaties incepting on 1 January 2017. This is based on an assumed management action to renew the annual excess of loss reinsurance treaties on 1 January. Correspondingly, a share of the future reinsurance premiums for these contracts relating to current business is also allowed for within the technical provisions.

D. Valuation for solvency purposes

Reinsurance future premiums are included within the technical provisions based on the payment terms of the individual reinsurance contracts. Allowance is made for the expected future cash flows arising from the whole account quota share arrangement with Allianz Re, based on the payment terms of the treaty.

A counterparty default adjustment is held to reflect the expected amount of losses due to default of reinsurance counterparties. This consists of the bad debt provision held under IFRS in respect of run-off Marine business, as well as a further default adjustment in respect of PPO reinsurance recoveries, given the very long term relationship involved with the reinsurers for these exposures.

Material changes in assumptions

Assumptions are subject to a regular review cycle with the period between reviews chosen to reflect the materiality of the assumption. During 2016, several material updates were made resulting in a material change to the calculation of the technical provisions. The real discount rate used to calculate the present value of PPO liabilities was changed to reflect the current economic environment. In addition, assumptions were updated to reflect the change in Ogden rate. These changes mainly affected the Motor vehicle liability insurance, General liability and Annuities stemming from non-life insurance contracts lines of business.

Simplifications

The calculation of the technical provisions is carried out using materially appropriate, complete and correct data and using valuation methods which are appropriate to the nature and complexity of the insurance technical risks. The limitations of the calculation methodology are identified and understood. Selection of the appropriate method is based on expert judgement, considering the quality, quantity and reliability of the available data and analysis of all important characteristics of the business. The assumptions and parameters used in each method are clear and explicitly identified. The key drivers and uncertainties associated with the best estimate are explored and described.

For some elements of the technical provisions, simplified methods are applied that are appropriate to the nature and complexity of the risks. These are outlined below.

For the premium provision, the reinsurance recoverables are estimated as the difference between the best estimate provisions gross and net of reinsurance. This is defined as a simplified method under Solvency II and is appropriate because the exposure assumptions underlying the gross and net estimates of future claims use consistent contract boundaries.

The Risk Margin is estimated using an adjusted proportional proxy method to project future SCRs. It uses ratios to assess premium risk and reserve risk capital throughout the runoff period allowing for the changing nature of the liabilities through the run off period and grossing up to allow for other risks, adjusted to reflect the changing levels of riskiness of the claims reserves over time. This method is defined by Solvency II regulation as a simplification.

D.3 Other liabilities

Differences between IFRS and MVBS relating to the valuations of deposits from reinsurers, reinsurance payables and insurance payables arise from the reclassification of certain interest items and the transfer of a provision into Technical Provisions.

As noted above, differences between IFRS and MVBS valuations result in changes to deferred tax.

For all other classes of liability there is no difference between the IFRS valuation and the MVBS valuation. Full details on valuation methodologies can be found in the Report and Accounts for Allianz Holdings plc. As noted above, Allianz Insurance plc has adopted those same valuation methodologies. In particular, the valuation basis for the defined benefit pension fund is found in note 16 of those accounts.

D.5 Any other information

There is no other material information on the valuation of assets or liabilities.

E. Capital Management

E.1. Own Funds

One of the core objectives of the company strategy is to maintain its financial strength. Capital is a resource that supports the risk bearing capacity of the company, forming a foundation for the company's long-term viability and the trust of its customers.

Allianz Insurance maintains a formal capital management policy, and capital management planning is embedded within the main planning process, with a time horizon of three years.

Allianz Insurance applies an integrated risk capital framework, taking into account appetite and capital allocation across the company. Capital management protects the company's Own Funds in line with the Allianz Risk Strategy and Appetite. Both risk considerations and Own Funds needs are integrated into management processes through the attribution of risk and allocation of Own Funds to the various lines of business.

A core element of the approach to capital management is the approval by the Allianz Insurance plc Board of any dividends or requests for additional capital. This approval is subject to maintaining an adequate local buffer over the SCR.

The current liquidity plan and solvency projections reflect all planned changes in Own Funds for the next 3 years.

There were no material changes over the reporting period with regards to objectives, policies and processes employed by Allianz for managing its Own Funds.

The table below shows the breakdown of the Own Funds by Tier, and the SCR coverage. The comparative figures for 2015 and movement from prior years are unaudited.

	2016	2015
	£m	£m
Tier 1		
Ordinary shares	173	173
Share premium	5	5
Reconciliation reserve	858	772
Total Tier 1	**1,036**	**950**
Tier 3		
Net deferred tax assets	47	61
Total Tier 3	**47**	**61**
Total eligible own funds to meet the SCR	**1,083**	**1,011**
SCR (see below)	829	N/A
SCR Coverage ratio	**131%**	**N/A**
Total eligible own funds to meet the MCR	**1,036**	**950**
MCR	207	N/A
MCR Coverage ratio	**500%**	**N/A**

E. Capital Management

No SCR comparators are shown because as at 31 December 2015 the Solvency II regulations were not in force.

Only Tier 1 and Tier 2 Own Funds are eligible to meet the MCR. No Own Fund items for Allianz Insurance plc rely on transitional measures for their inclusion in Tier 1. There are no restrictions on the availability of Own Funds to support the SCR and MCR, and no matching adjustment portfolio exists. There has been no impact of any limit on eligible Tier 2 capital or restricted Tier 1 capital. The company has no subordinated debt, or ancillary Own Fund items. No Own Fund items were issued or redeemed during the year.

The changes in Tier 1 capital over the reporting period are all within the reconciliation reserve.

The significant changes were:

	£m
Profit after tax earned by the company in the year	43
Net unrealised gains after tax on the investment portfolio	45
Increase in value of participations through profit and unrealised gains movements	11
Pension fund movements through OCI	(46)
Other adjustments to Solvency II valuation basis	33

The reconciliation reserve is made up of retained earnings and reconciliation adjustments from IFRS to Solvency II balance sheet.

E.2. Solvency Capital Requirement & Minimum Capital Requirement

This sub-section is unaudited.

Allianz Insurance plc has received approval to use the Allianz group internal model to determine its SCR. The SCR at 31 December 2016 amounts to £829m, and the MCR amounts to £207m.

A split of the SCR by the different risk categories modelled by the internal model is shown in the following table.

Category of risk	Capital	
Underwriting risk		**734**
Premium risk	267	
Longevity risk	237	
Reserve risk	208	
Business risk	23	
Market risk		**1,020**
Equity risk	57	
Interest rate risk	180	
Credit spread risk	343	
Inflation risk	352	
Currency risk	1	
Real estate risk	87	
Credit risk		**111**
Operational risk		**87**
Sum of standalone risks		**1,953**
Diversification benefit		(1,124)
SCR		**829**

The calculation of the MCR follows the methodology described in the Solvency II regulation. It uses the SCR as an input parameter for determining the possible range for the MCR, as well as the standard set of inputs required by the formula-based calculation.

E.3 Use of various options in the Standard Formula calculation

This sub-section is unaudited.

Because Allianz uses an internal model rather than the Standard Formula, simplifications, undertaking-specific parameters and the duration-based equity risk sub-module are not applicable to Allianz.

E. Capital Management

E.4 Differences between the Standard Formula and any internal model used

This sub-section is unaudited.

The scope of the internal model is the whole of the business of Allianz. It also covers the risks inherent in the Allianz Retirement and Death Benefits scheme, a defined benefit pension scheme which is sponsored by Allianz Management Services Ltd, an Allianz sister company.

The risk categories covered by the internal model are presented and explained in chapter C.

The table below outlines at a high level the key material differences between the methodologies underlying the internal model applied to Allianz Insurance plc and the Standard Formula, including identification (marked with an asterisk*) of risks modelled within the internal model but not within the Standard Formula.

Risk Module	Methodologies used by Allianz Internal Model
Underwriting Risk for Non-life	Differences in calibration, based on specific local experience, and split between attritional, large and catastrophic claims. Explicit allowance modelled for variability of rate strength*. Catastrophe risk modelled using an externally supplied model. Risk mitigating effect of reinsurance replicated closely. Lapse risk and underperformance of new business risk modelled explicitly*. Risks aggregated using a copula and Monte Carlo simulation. Allowance is made* for additional market risk resulting from planned growth in underwriting risk.
Equity	Differences in calibration, based on specific local experience.
Interest rate	Model includes consideration of complex changes to yield curves, including twists
Property	Differences in calibration, based on specific local experience.
Spread	Differences in calibration, based on specific local experience. Sovereign bonds are assumed to be subject to spread risk*. Spread risk applies to both assets and spread-sensitive liabilities*.
Concentration	No separate concentration risk module; concentration risk covered by the credit risk module
Credit risk / counterparty default risk	Differences in calibration, based on specific experience. Credit risk is calculated for current market value of exposure of entire fixed interest, cash and reinsurance assets* plus an allowance for possible future exposure* in an insurance stress scenario.
Pension fund risk	Longevity risk is modelled*, based on specific local experience.
Intangible asset risk	Intangible asset risk is not covered by the internal model
Operational Risk	Capital based on specific scenarios, modelled using a frequency and severity approach, and aggregated using Monte Carlo simulation.
Aggregation	Aggregation uses a Gaussian copula applied using Monte Carlo simulation.

E. Capital Management

Use of the internal model

The internal model is widely integrated into Allianz's Enterprise Risk management System and is the primary method used to understand the material and quantifiable risks inherent in Allianz's business. To that end it is used for a number of purposes, in particular for comparison of different risk categories and segments. It is a fundamental element for risk based and forward looking steering.

Uses of the model are documented internally and include:

- Setting the risk strategy
- Setting risk tolerance limits
- Risk and capital reporting
- Calculating capital requirements
- Capital management, including the affordability of dividends and requirements for capital injections
- Setting the business strategy
- Capital allocation between lines of business
- Underwriting, reserving and pricing of lines of business and accounts
- Setting the reinsurance strategy
- Strategic asset allocation
- Performance management
- M&A Transactions
- Stress and scenario testing
- Planning

Methodological approach of the internal model

The internal risk capital model is based on a Value-at-Risk approach using a Monte Carlo simulation model. The starting point of the risk calculation is the market value balance sheet and the allocation of each item to the relevant risk categories. Risk capital for each category is defined as the change in economic value over the projected time period based on the underlying distribution assumptions for each risk factor. Where possible, the distributions are calibrated to market data or Allianz's internal historical data. Where appropriate, Expert Judgement is used to support historical data analysis within the confines of a defined and documented governance process.

Following this approach, the maximum loss in the portfolio value is determined within a specified timeframe ("holding period") and probability of occurrence ("confidence level"). The risk capital is computed as the 99.5th percentile Value at Risk from the profit and loss distribution for a one year holding period, where in each scenario the change in economic value is derived from the joint realization of all risk factors. Accordingly the SCR is calculated using exactly the risk measure and time period specified in article 101(3) of the Solvency II Directive (Directive 2009/138/EC).

The internal model contains different risk categories, which can themselves be further subdivided into different risk types. For each level the internal model delivers risk capital figures on a standalone basis, that is, before diversification to other risk types or categories but also on an aggregated level taking diversification into account.

The risk categories available in the internal model, and the aggregation structure of the model, are outlined below.

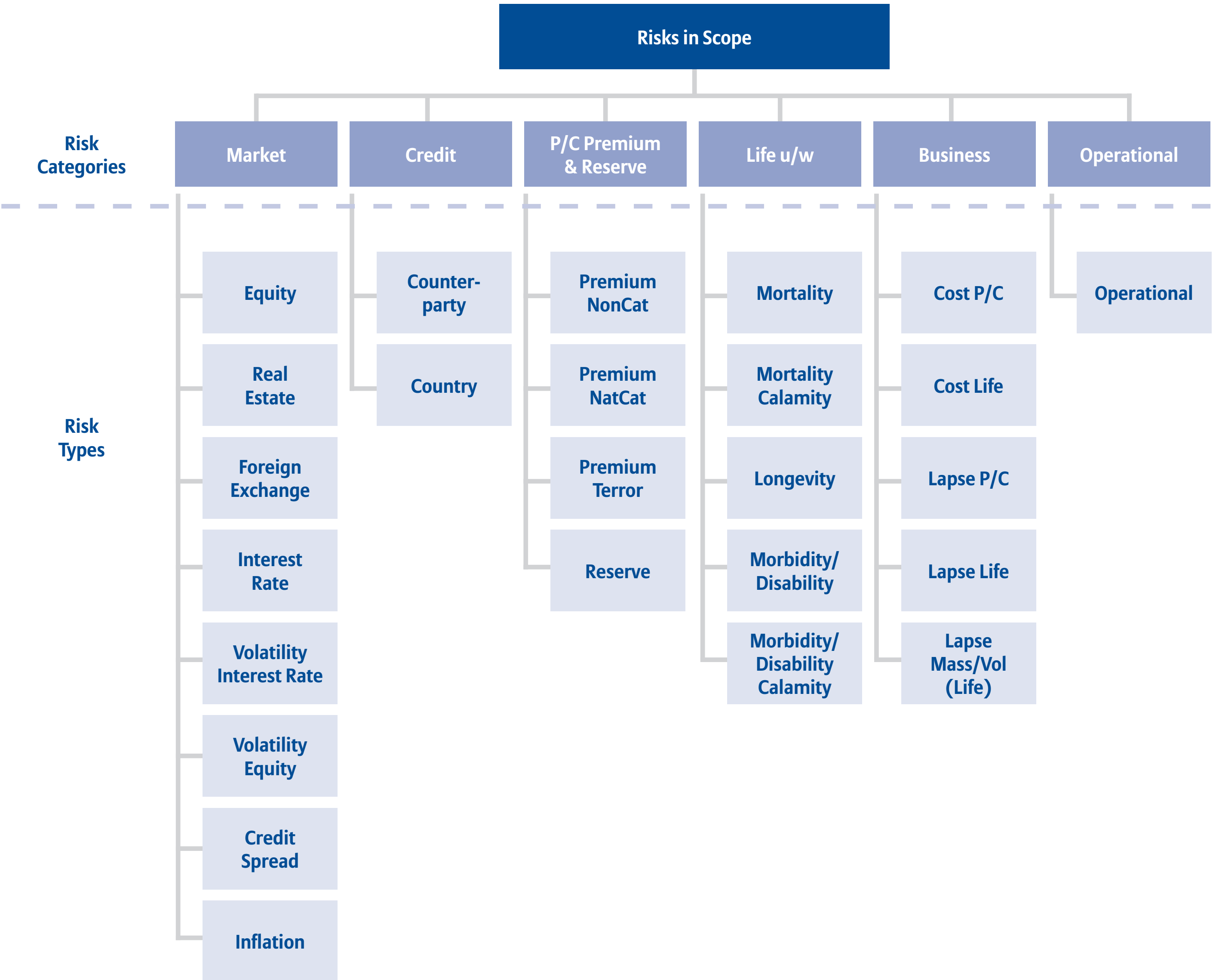
Major model changes

Allianz has a defined and approved policy for making major changes to its internal model. This policy includes internal validation and governance processes to ensure that proposed changes are appropriate for Allianz's business.

During 2016, Allianz made an application to make a number of major changes to its internal model. These covered modules concerning credit spread risk, pension risk and natural catastrophe risk.

Regulatory approval for the changes was granted during early 2017 and takes effect from 2017 Q1.

E. Capital Management



Allianz's pension fund risk is modelled as a life insurance risk, and is captured partly under the market risk category and partly under longevity risk in the Life underwriting category.

The following modules are not used by Allianz Insurance plc because there is no material exposure to the risks modelled therein:

Module	Reason
Volatility Interest rate, Volatility Equity	Modules applicable to derivative holdings only
Mortality, Mortality Calamity	Death benefits are not material within the pension fund
Morbidity/Disablity, Morbidity/Disability Calamity	Disability benefits are not material within the pension fund
Cost Life, Lapse Life, Lapse mass/Vol (Life)	Modules not applicable because pension fund book is closed to new entrants and there is no material risk associated with withdrawal

E. Capital Management

For the aggregation of risks, the Allianz internal model uses a copula to derive an overall distribution of risk for the whole of Allianz Insurance, from which the 99.5th percentile is taken as the SCR. The dependency structure between risks of the copula is given by a matrix of correlations. Where possible, correlation parameters are derived for each pair of market risks through statistical analysis of historical market data, considering observations over several years. Where historical market data or other portfolio-specific observations are insufficient or not available, correlations are set according to a well-defined process using Expert Judgement.

Nature and appropriateness of data

Various sources of data are used as input for the internal model and for the calibration of parameters. A control framework is in place to ensure that the data is accurate, complete and appropriate. This control framework is tested in line with the requirements of the Allianz Internal Controls over Financial Reporting framework. Where possible, the input data is identical to data used for other purposes, for example the calculation of the insurance liabilities for the purposes of IFRS reporting or the valuation of the IFRS balance sheet.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Allianz has complied continuously with the Minimum Capital Requirement and the Solvency Capital Requirement.

E.6 Any other information

All important information regarding the capital management of the undertaking is addressed in the above sections.

Statement of Directors’ responsibilities

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

By order of the Board
SJ Hutchings
Secretary
Allianz Insurance plc
Registered Number: 84638

15 May 2017

Auditors' report

Report of the external independent auditor to the Directors of Allianz Insurance Plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Except as stated below, we have audited the following documents prepared by Allianz Insurance Plc as 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Allianz Insurance Plc as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S02.01.02, S12.01.01, S17.01.02, S23.01.01, S28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- information contained within the Relevant Elements of the Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- information relating to 31 December 2015 voluntarily disclosed by the Company in the 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report
- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21, S.25.02.21, S.25.03.21;
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the solvency and financial condition report ('**the Responsibility Statement**').

To the extent the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

Respective responsibilities of directors and auditor

As explained more fully in the Responsibility Statement, the Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, as modified by the Solvency II approval dated 18 November 2015 issued under the Solvency II Regulations 2015.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Our responsibility is to audit, and express an opinion on, the Relevant Elements of the Solvency and Financial Condition Report in accordance with applicable law and International Standards on Auditing (UK and Ireland) together with ISA (UK) 800 and ISA (UK) 805. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Relevant Elements of the Solvency and Financial Condition Report

A description of the scope of an audit is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the Relevant Elements of the Solvency and Financial Condition Report

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of Allianz Insurance Plc as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

Auditors' report

As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter

The Company has authority to calculate its Solvency Capital Requirement using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Matters on which we are required to report by exception

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Allianz Insurance Plc's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

KPMG LLP
15 Canada Square
London
E14 5GL

16 May 2017

- The maintenance and integrity of Allianz Insurance Plc's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo internal model

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0590: Technical provisions – health (similar to non-life) - risk margin
  - Row R0640: Technical provisions – health (similar to life) – risk margin
  - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked – risk margin
- The following elements of template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM – Risk margin
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions

Auditors' report

- The following elements of template S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM – Risk margin
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional measure on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
- The following elements of template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01
  - Row R0310: SCR

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Report:	S.02.01.02
Reporting entity:	RC590
Due date:	31.12.2016
Cluster:	PROD-RSR-Y
Report exported on:	27.04.2017 14:56:56

Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	47,384
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	15,435
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	2,680,627
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	457,639
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	2,206,027
Government Bonds	**R0140**	556,628
Corporate Bonds	**R0150**	1,246,776
Structured notes	**R0160**	
Collateralised securities	**R0170**	402,623
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	9,699
Deposits other than cash equivalents	**R0200**	7,262
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	442,058
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	442,058
Reinsurance recoverables from:	**R0270**	1,148,547
Non-life and health similar to non-life	**R0280**	1,039,412
Non-life excluding health	**R0290**	1,039,412
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	109,135
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	109,135
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	84,073
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	186,919
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	-8,477

Any other assets, not elsewhere shown	R0420	
Total assets	R0500	4,596,566

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	1,863,259
Technical provisions – non-life (excluding health)	R0520	1,863,259
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	1,763,450
Risk margin	R0550	99,809
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	220,314
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	220,314
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	167,845
Risk margin	R0680	52,469
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	10,641
Pension benefit obligations	R0760	107,267
Deposits from reinsurers	R0770	915,583
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	31,615
Reinsurance payables	R0830	6,985
Payables (trade, not insurance)	R0840	44,832
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	313,150
Total liabilities	R0900	3,513,646
Excess of assets over liabilities	R1000	1,082,920

Report:	S.05.01.02
Reporting entity:	RC590
Due date:	31.12.2016
Cluster:	PROD-RSR-Y
Report exported on:	27.04.2017 14:56:55

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**
Premiums written								
Gross - Direct Business	**R0110**				500,660	173,285		566,743
Gross - Proportional reinsurance accepted	**R0120**							
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**				262,269	90,660		314,657
Net	**R0200**				238,391	82,625		252,085
Premiums earned								
Gross - Direct Business	**R0210**				531,781	183,575		563,709
Gross - Proportional reinsurance accepted	**R0220**							
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**				221,061	76,397		260,560
Net	**R0300**				310,719	107,178		303,149
Claims incurred								
Gross - Direct Business	**R0310**				453,548	149,525		242,657
Gross - Proportional reinsurance accepted	**R0320**							
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**				213,677	59,809		98,262
Net	**R0400**				239,872	89,716		144,395
Changes in other technical provisions								
Gross - Direct Business	**R0410**							
Gross - Proportional reinsurance accepted	**R0420**							
Gross - Non-proportional reinsurance accepted	**R0430**							
Reinsurers' share	**R0440**							
Net	**R0500**							
Expenses incurred	**R0550**				86,264	34,488		166,296
Other expenses	**R1200**							
Total expenses	**R1300**							

proportional reinsurance)					Line of business for: accepted non-proportional reinsurance				
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
217,832		41,133		566,124					2,065,776
							54		54
115,920		44,016		271,585			439		1,099,547
101,911		-2,883		294,538			-386		966,283
218,913		63,284		549,165					2,110,428
									0
							2,051		2,051
96,801		38,869		223,087			1,971		918,746
122,112		24,415		326,078			80		1,193,733
119,976		43,566		376,561					1,385,833
									0
							-1,394		-1,394
49,926		30,383		151,445			5,060		608,562
70,049		13,183		225,117			-6,454		775,877
							0		
34,056		10,189		84,297			-1,667		413,923
									413,923

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Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610						44			44
Reinsurers' share	R1620						885			885
Net	R1700						-841			-841
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900									
Other expenses	R2500									
Total expenses	R2600									

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Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
	R0010							
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110	2,065,776	2,065,776					
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130	54	54					
Reinsurers' share	R0140	1,099,547	1,099,547					
Net	R0200	966,283	966,283					
Premiums earned								
Gross - Direct Business	R0210	2,110,428	2,110,428					
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230	2,051	2,051					
Reinsurers' share	R0240	918,746	918,746					
Net	R0300	1,193,733	1,193,733					
Claims incurred								
Gross - Direct Business	R0310	1,385,833	1,385,833					
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330	-1,394	-1,394					
Reinsurers' share	R0340	608,562	608,562					
Net	R0400	775,877	775,877					
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550	413,923	413,923					
Other expenses	R1200							
Total expenses	R1300		413,923					

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Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400							
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
Premiums earned								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
Claims incurred								
Gross	R1610	44	44					
Reinsurers' share	R1620	885	885					
Net	R1700	-841	-841					
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900							
Other expenses	R2500							
Total expenses	R2600							

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Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance			
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Technical provisions calculated as a whole	**R0010**								0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**R0030**								167,845
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**								109,135
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**								58,710
Risk margin	**R0100**								52,469
Amount of the transitional on Technical Provisions									
Technical provisions calculated as a whole	**R0110**								0
Best Estimate	**R0120**								0
Risk margin	**R0130**								0
Technical provisions - total	**R0200**								220,314

				Health insurance (direct business)					
		Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0100	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**		0						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**R0030**		167,845						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		109,135						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**		58,710						
Risk margin	**R0100**		52,469						
Amount of the transitional on Technical Provisions									
Technical provisions calculated as a whole	**R0110**		0						
Best Estimate	**R0120**		0						
Risk margin	**R0130**		0						
Technical provisions - total	**R0200**		220,314						

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Non-life Technical Provisions

		Direct business and accepted proportional reinsurance						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	R0010				0	0		0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050							
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Premium provisions								
Gross	R0060				129,447	41,922		9,966
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140				91,919	34,351		70,897
Net Best Estimate of Premium Provisions	R0150				37,528	7,571		-60,931
Claims provisions								
Gross	R0160				760,249	-6,633		209,947
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				350,898	-1,752		81,578
Net Best Estimate of Claims Provisions	R0250				409,351	-4,881		128,369
Total Best estimate - gross	R0260				889,696	35,289		219,913
Total Best estimate - net	R0270				446,879	2,690		67,438
Risk margin	R0280				24,977	664		8,167
Amount of the transitional on Technical Provisions								
Technical provisions calculated as a whole	R0290				0	0		0
Best Estimate	R0300				0	0		0
Risk margin	R0310				0	0		0
Technical provisions - total								
Technical provisions - total	R0320				914,673	35,953		228,080
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330				442,817	32,599		152,475
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340				471,856	3,354		75,605

:e					Accepted non-proportional reinsurance				
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
0		0		0			0		0
49,656		-43,486		-20,398			3,020		170,127
42,718		9,322		81,158			4,248		334,613
6,938		-52,808		-101,556			-1,228		-164,486
479,718		-10		50,702			99,351		1,593,324
184,870		-12,064		18,963			82,305		704,798
294,848		12,054		31,739			17,046		888,526
529,374		-43,496		30,304			102,371		1,763,451
301,786		-40,754		-69,817			15,818		724,040
58,936		3,932		1,481			1,651		99,808
0		0		0			0		0
0		0		0			0		0
0		0		0			0		0
588,310		-39,564		31,785			104,022		1,863,259
227,588		-2,742		100,121			86,553		1,039,411
360,722		-36,822		-68,336			17,469		823,848

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claims information

siness

lerwriting year | Z0010 | (0) Accident year

d (non-cumulative)

amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											9,704
N-9	R0160	419,429	269,606	77,622	47,022	46,146	22,091	24,402	23,338	1,530	-408	
N-8	R0170	414,239	239,059	62,611	62,343	26,908	20,170	19,800	16,247	1,680		
N-7	R0180	418,336	214,765	74,800	52,429	37,271	39,980	10,120	1,567			
N-6	R0190	457,183	255,938	89,833	57,802	57,462	12,376	6,539				
N-5	R0200	480,440	238,693	79,948	71,719	40,302	16,348					
N-4	R0210	559,710	261,919	81,563	45,396	43,041						
N-3	R0220	577,316	263,961	63,165	55,792							
N-2	R0230	662,433	279,687	79,551								
N-1	R0240	753,812	357,873									
N	R0250	795,711										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	9,704	9,704
	R0160	-408	930,778
	R0170	1,680	863,057
	R0180	1,567	849,268
	R0190	6,539	937,133
	R0200	16,348	927,450
	R0210	43,041	991,629
	R0220	55,792	960,234
	R0230	79,551	1,021,671
	R0240	357,873	1,111,685
	R0250	795,711	795,711
Total	R0260	1,367,398	9,398,320

Gross undiscounted Best Estimate Claims Provisions

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											153,652
N-9	R0160	880,852	445,726	266,361	185,632	123,545	54,623	41,223	16,402	12,604	11,512	
N-8	R0170	800,997	338,751	209,837	138,285	66,572	46,952	28,135	12,624	9,192		
N-7	R0180	730,158	357,749	231,124	119,815	77,752	32,652	32,473	12,924			
N-6	R0190	724,219	361,280	177,238	110,106	54,114	40,481	31,921				
N-5	R0200	723,750	311,911	214,384	135,112	57,567	34,540					
N-4	R0210	679,318	298,193	172,170	102,245	70,127						
N-3	R0220	584,176	299,518	162,014	97,099							
N-2	R0230	673,834	314,017	229,735								
N-1	R0240	724,520	338,055									
N	R0250	625,630										

		Year end (discounted data)
		C0360
	R0100	149,204
	R0160	11,346
	R0170	9,074
	R0180	12,729
	R0190	31,534
	R0200	34,056
	R0210	69,264
	R0220	95,972
	R0230	227,126
	R0240	334,035
	R0250	618,984
Total	R0260	1,593,324

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	172,759	172,759		0	
Share premium account related to ordinary share capital	R0030	5,244	5,244		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	857,533	857,533			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	47,384				47,384
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	1,082,920	1,035,536	0	0	47,384
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,082,920	1,035,536	0	0	47,384
Total available own funds to meet the MCR	R0510	1,035,536	1,035,536	0	0	
Total eligible own funds to meet the SCR	R0540	1,082,920	1,035,536	0	0	47,384
Total eligible own funds to meet the MCR	R0550	1,035,536	1,035,536	0	0	
SCR	R0580	828,842				
MCR	R0600	207,210				
Ratio of Eligible own funds to SCR	R0620	1.3553				
Ratio of Eligible own funds to MCR	R0640	5.2369				

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Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
10390I	Interest rate risk	173,371
10370I	Interest rate vola risk	0
10399I	Diversification within interest rate risk	0
10410I	Equity risk	56,837
10420I	Equity vola risk	0
10499I	Diversification within equity risk	0
10600I	Real estate risk	87,148
10700I	Credit spread risk	267,835
10900I	FX risk	521
11010I	Inflation risk (insurance business)	89,515
11010P	Inflation risk (pension scheme)	275,432
19900I	Diversification within market risk	-551,846
20100I	Type 1 counterparty default risk	22,547
20200I	Type 2 counterparty default risk	1,343
20310I	Other counterparty default risk - investment credit risk	113,604
20390I	Other counterparty default risk - other	0
29900I	Diversification within counterparty default risk	-28,162
50150I	Premium non-cat risk	150,189
50310I	Non-life catastrophe risk: natural (aka Premium nat-cat risk)	105,128
50330I	Non-life catastrophe risk: man-made (aka Premium Terror risk)	11,329
50399I	Diversification within non-life catastrophe risk	0
50210I	Reserve risk	196,668
59900I	Diversification within non-life underwriting risk	-135,065
30200P	Longevity risk	237,395
50400I	Lapse risk	9,514
50590I	Cost risk	13,029
50599I	Diversification within business risks	-2,807
70100I	Operational risk	87,394
80300I	Loss absorbing capicity of deferred taxes	0
80400I	All adjustments combined	95,000

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Solvency Capital Requirement - for undertakings on Full Internal Models

		C0100
Calculation of Solvency Capital Requirement		
Total undiversified components	**R0110**	1,275,919
Diversification	**R0060**	-447,077
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement, excluding capital add-on	**R0200**	828,842
Capital add-ons already set	**R0210**	0
Solvency Capital Requirement	**R0220**	828,842
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	0
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	**R0310**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	**R0420**	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

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		C0070
Overall MCR calculation		
Linear MCR	**R0300**	175,321
SCR	**R0310**	828,842
MCR cap	**R0320**	372,979
MCR floor	**R0330**	207,210
Combined MCR	**R0340**	207,210
Absolute floor of the MCR	**R0350**	3,332
Minimum Capital Requirement	**R0400**	207,210

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Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	**R0010**	174,088

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	0	0
Income protection insurance and proportional reinsurance	**R0030**	0	0
Workers' compensation insurance and proportional reinsurance	**R0040**	0	0
Motor vehicle liability insurance and proportional reinsurance	**R0050**	446,878	232,533
Other motor insurance and proportional reinsurance	**R0060**	2,775	88,483
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	0	0
Fire and other damage to property insurance and proportional reinsurance	**R0080**	67,795	273,369
General liability insurance and proportional reinsurance	**R0090**	301,786	80,627
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	0
Legal expenses insurance and proportional reinsurance	**R0110**	0	0
Assistance and proportional reinsurance	**R0120**	0	0
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	0	294,538
Non-proportional health reinsurance	**R0140**	0	0
Non-proportional casualty reinsurance	**R0150**	0	0
Non-proportional marine, aviation and transport reinsurance	**R0160**	15,837	0
Non-proportional property reinsurance	**R0170**	0	0

Report:	S.28.01.01
Reporting entity:	RC590
Due date:	31.12.2016
Cluster:	PROD-RSR-Y
Report exported on:	27.04.2017 14:56:56

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	**R0200**	1,233

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**	0	
Obligations with profit participation - future discretionary benefits	**R0220**	0	
Index-linked and unit-linked insurance obligations	**R0230**	0	
Other life (re)insurance and health (re)insurance obligations	**R0240**	58,710	
Total capital at risk for all life (re)insurance obligations	**R0250**		0

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